

KAI !GARIB LOCAL MUNICIPALITY

(Registration number NC082)

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

Index	Page
General Information	3
Members of the Municipal Council	4
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6 - 7
Certification of Remuneration of Councillors	8
Statement of Financial Position as at 30 June 2016	9
Statement of Financial Performance for the year ended 30 June 2016	10
Statement of Changes in Net Assets for the year ended 30 June 2016	11
Cash Flow Statement for the year ended 30 June 2016	12
Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2016	13 - 14
Appropriation Statement for the year ended 30 June 2016	15 - 18
Accounting Policies	19 - 49
Notes to the Unaudited Annual Financial Statements	50 - 94
Appendixes:	
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	95
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	97
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	98

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2016

Index

Abbreviations

ASB	Accounting Standards Board
D.W.A.F.	Department of Water Affairs and Forestry
DBSA	Development Bank of South Africa
EPWPIG	Expanded Public Works Programme Incentive Grant
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sector Education Training Programme
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
NCL	Non current liability
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

Relevant Legislation

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
Vision statement	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development.
Mission statement	Provision of transparent, accountable and sustainable service delivery.
Demarcation code	NC082
Grading of local authority	Low capacity municipality
Accounting Officer	Mr. J.G. Lategan (Acting)
Chief Finance Officer (CFO)	Mr. J. Krapohl
Registered office	164 11th Avenue Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	External: Auditor General of South Africa Internal: Internal Audit Unit
Attorneys	Brink & Genote Inc. Mjila & Partners Van der Westhuizen Le Roux Ing. Wessels & Smith Attorneys Inc.
Preparer	The unaudited annual financial statements were internally compiled by Wim Scheepers, the Budget and Reporting Manager.
Telephone number	(054) 431 6300
Fax number	(054) 431 6301
Email address	admin@kaigarib.gov.za
Website	www.kaigarib.gov.za

Members of the Municipal Council

Mayor	Cllr. J.J.J. Olyn	
Speaker	Cllr. S. Jacob	
Ward councillors	Cllr. W.D. Klim	ANC
	Cllr. A.C. Snyers	ANC
	Cllr. B.M. Bock	ANC
	Cllr. A.M. Isaacs	ANC
	Cllr. A.V. du Plessis	ANC
	Cllr. W.N. Afrikaner	ANC
	Cllr. W.B. Kampfer	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E.E. Frits	ANC
Proportional members	Cllr. E. Mompe	COPE
	Cllr. M.M.J. Titus	COPE
	Cllr. A. van der Westhuizen	DA
	Cllr. A.M. van Wyk	DA
	Cllr. E. Meyer	DA
	Cllr. C. Markgraaf	DA

Council committees

Executive committee

Chairperson:	Cllr. J.J.J. Olyn
Members:	Cllr. D.W. Fienies
	Cllr. E. Meyer

Socio-economic development committee

Chairperson:	Cllr. E.E. Fritz
Members:	Cllr. A.M. Isaacs
	Cllr. D. W. Fienies
	Cllr. M.M.J. Titus
	Cllr. A.M. van Wyk

Institutional development committee

Chairperson:	Cllr. A.V. Du Plessis
Members:	Cllr. B.M. Bock
	Cllr. W.N. Afrikaner
	Cllr. A. van der Westhuizen
	Cllr. M.M.J. Titus

Infrastructure development committee

Chairperson:	Cllr. D.W. Fienies
Members:	Cllr. A.C. Snyers
	Cllr. W.B. Kampfer
	Cllr. C. Markgraaf
	Cllr. E. Mompe

Municipal public account committee:

Chairperson:	Cllr. W.D. Klim
Members:	Cllr. A.C. Snyers
	Cllr. A.V. Du Plessis
	Cllr. E. Mompe
	Cllr. A.M. van Wyk

Munisipale Gebou
11de Laan
Tel 054 461 6400
Faks 054 461 6401
Privaatsak X 6
KAKAMAS
8870
BTW Nr. 4170193371

KAI !GARIB
MUNISIPALITEIT-MUNICIPALITY

Municipal Building
11th Avenue
Tel 054 461 6400
Fax 054 461 6401
Private Bag X 6
KAKAMAS
8870
VAT No. 4170193371

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The unaudited annual financial statements will be examined by the municipality's external auditors and their report will be presented after the annual auditing process.

The unaudited annual financial statements set out on pages 6 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by him:

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
31 August 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

Kai !Garib Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 45,942,386 (2015: deficit R 43,492,456).

2. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The unaudited annual financial statements is prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. J.G. Lategan (Acting)	South Africa

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a three month basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Mr. N. Erasmus and Me. A. Viljoen.

Internal audit

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

8. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

The following auditors will continue in office for the following financial period:

- External: External: Auditor General of South Africa
- Internal: Internal Audit Unit

10. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Curriecamp
- Lennertsville
- Lutzburg
- Mactaggertscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil



Munisipaliteit Kai !Garib Municipality

Munisipale Gebou
11de Laan
Tel 054 461 6400
Faks 054 461 6401
Privaatsak X 6
KAKAMAS
8870
BTW Nr. 4170193371

Municipal Building
11th Avenue
Tel 054 461 6400
Fax 054 461 6401
Private Bag X 6
KAKAMAS
8870
VAT No. 4170193371

Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 39548 dated 21/12/2015. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27/03/2015 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
31 August 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Notes	2016	2015
Assets			
Current Assets			
Cash and cash equivalents	3	1,204,168	1,650,678
Inventories	4	2,962,942	926,698
Other financial assets	5	2,389,846	2,094,769
Receivables from exchange transactions	6&8	29,907,044	25,093,251
Receivables from non-exchange transactions	7&8	13,241,899	10,336,802
VAT receivable	9	-	2,162,824
Total Current Assets		**49,705,899**	**42,265,022**
Non-Current Assets			
Other financial assets	5	1,603,647	1,516,210
Intangible assets	10	94,755	75,427
Investment property	11	1,417,000	1,300,000
Property, plant and equipment	12	740,026,749	762,702,858
Total Non-Current Assets		**743,142,151**	**765,594,495**
Total Assets		**792,848,050**	**807,859,517**
Liabilities			
Current Liabilities			
Bank overdraft	3	-	526,905
Consumer deposits	14	1,666,893	1,628,822
Finance lease obligation	16	439,051	894,127
Other financial liabilities	17	6,366,852	4,585,818
Payables from exchange transactions	18	161,285,648	138,734,445
Provisions	19	5,192,375	2,565,597
Unspent conditional grants and receipts	20	163,544	6,168,946
VAT payable	21	5,608,252	-
Total Current Liabilities		**180,722,615**	**155,104,660**
Non-Current Liabilities			
Employee benefit obligation	15	18,703,014	16,860,229
Finance lease obligation	16	-	439,051
Other financial liabilities	17	3,118,642	4,783,445
Provisions	19	48,215,083	42,641,059
Total Non-Current Liabilities		**70,036,739**	**64,723,784**
Total Liabilities		**250,759,354**	**219,828,444**
Net Assets		**542,088,696**	**588,031,073**
Accumulated surplus		542,088,696	588,031,073

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Statement of Financial Performance for the year ended 30 June 2016

Figures in Rand	Notes	2016	2015
Revenue			
Revenue from exchange transactions			
Agency services	23	1,107,658	957,431
Interest received	24	11,264,426	9,574,817
Rental of facilities and equipment	25	214,426	204,078
Service charges	26	96,991,664	81,130,237
Other income	27	972,349	1,365,947
Total revenue from exchange transactions		**110,550,523**	**93,232,510**
Revenue from non-exchange transactions			
Property rates	28	15,556,330	13,588,100
Property rates - penalties imposed	28	1,185	141,861
Transfer revenue			
Fines	29	117,424	302,527
Government grants and subsidies	30	74,290,492	80,428,411
Total revenue from non-exchange transactions		**89,965,431**	**94,460,899**
Total revenue	22	**200,515,954**	**187,693,409**
Expenditure			
Bulk purchases	31	50,869,470	45,018,457
Contracted services	32	14,565,247	10,576,377
Debt impairment	33	15,612,017	13,637,914
Depreciation and amortisation	34	21,298,189	30,158,565
Employee related costs	35	91,860,505	86,266,134
Finance costs	36	11,934,139	2,693,701
General expenses	37	21,367,482	21,854,279
Remuneration of councillors	38	5,650,962	4,960,501
Repairs and maintenance	39	1,559,452	2,788,139
Transfers and subsidies	40	12,257,877	13,331,798
Total expenditure		**246,975,340**	**231,285,865**
Operating deficit	43	**(46,459,386)**	**(43,592,456)**
Fair value adjustments	41	117,000	100,000
Gain on disposal of assets and liabilities		400,000	-
		517,000	**100,000**
Deficit for the year		**(45,942,386)**	**(43,492,456)**

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Statement of Changes in Net Assets for the year ended 30 June 2016

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	664,214,393	664,214,393
Adjustments		
Prior year adjustments	(32,690,864)	(32,690,864)
Balance at 01 July 2014 as restated*	**631,523,529**	**631,523,529**
Changes in net assets		
Deficit for the year	(43,492,456)	(43,492,456)
Total changes	(43,492,456)	(43,492,456)
Balance at 01 July 2015	**588,031,082**	**588,031,082**
Changes in net assets		
Deficit for the year	(45,942,386)	(45,942,386)
Total changes	(45,942,386)	(45,942,386)
Balance at 30 June 2016	**542,088,696**	**542,088,696**

Notes

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Cash Flow Statement for the year ended 30 June 2016

Figures in Rand	Notes	2016	2015
Cash flows from operating activities			
Receipts			
Taxation		15,557,515	13,729,961
Sale of goods and services		96,635,128	85,663,760
Grants		65,497,417	78,279,579
Interest income		11,264,426	9,574,817
		188,954,486	187,248,117
Payments			
Employee costs		(95,668,682)	(88,519,144)
Suppliers		(43,807,556)	(41,900,284)
Finance costs		(11,855,888)	(2,522,596)
		(151,332,126)	(132,942,024)
Net cash flows from operating activities	44	**37,622,360**	**54,306,093**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(38,634,036)	(22,757,403)
Proceeds from sale of property, plant and equipment	12	2,373,040	3,996,633
Purchase of other intangible assets	10	(42,308)	-
Proceeds from sale of financial assets		(382,514)	3,201,358
Net cash flows from investing activities		**(36,685,818)**	**(15,559,412)**
Cash flows from financing activities			
Repayment of other financial liabilities		116,231	1,380,126
Finance lease payments		(972,378)	(1,260,216)
Net cash flows from financing activities		**(856,147)**	**119,910**
Net increase/(decrease) in cash and cash equivalents		**80,395**	**38,866,591**
Cash and cash equivalents at the beginning of the year		1,123,773	(37,742,818)
Cash and cash equivalents at the end of the year	3	**1,204,168**	**1,123,773**

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2016

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	26,218,845	(3,533,487)	**22,685,358**	15,557,515	**(7,127,843)**	
Service charges	80,642,500	972,500	**81,615,000**	96,991,664	**15,376,664**	
Investment revenue	8,103,005	3,358,945	**11,461,950**	11,478,852	**16,902**	
Transfers recognised - operational	56,332,000	(4,690,000)	**51,642,000**	52,996,090	**1,354,090**	
Other own revenue	8,970,925	(7,557,925)	**1,413,000**	2,714,433	**1,301,433**	
Total Revenue (excluding capital transfers and contributions)	**180,267,275**	**(11,449,967)**	**168,817,308**	**179,738,554**	**10,921,246**	
Expenditure by type						
Employee costs	(72,451,242)	(14,346,458)	**(86,797,700)**	(91,860,498)	**(5,062,798)**	
Remuneration of councillors	(4,937,000)	(1,559,000)	**(6,496,000)**	(5,650,962)	**845,038**	
Debt impairment	(16,500,000)	16,500,000	**-**	(15,612,017)	**(15,612,017)**	
Depreciation & asset impairment	-	-	**-**	(21,298,189)	**(21,298,189)**	
Finance charges	(1,820,000)	1,820,000	**-**	(11,934,139)	**(11,934,139)**	
Materials and bulk purchases	(59,395,080)	(3,258,420)	**(62,653,500)**	(66,994,169)	**(4,340,669)**	
Transfers and grants	(5,738,667)	(18,572,538)	**(24,311,205)**	(12,257,877)	**12,053,328**	
Other expenditure	(20,925,279)	4,043,679	**(16,881,600)**	(21,367,482)	**(4,485,882)**	
Total expenditure	**(181,767,268)**	**(15,372,737)**	**(197,140,005)**	**(246,975,333)**	**(49,835,328)**	
Surplus/(deficit)	**(1,499,993)**	**(26,822,704)**	**(28,322,697)**	**(67,236,779)**	**(38,914,082)**	
Transfers recognised - capital	23,284,000	-	**23,284,000**	21,294,402	**(1,989,598)**	
Surplus/(deficit) after capital transfers & contributions	**21,784,007**	**(26,822,704)**	**(5,038,697)**	**(45,942,377)**	**(40,903,680)**	
Surplus/(deficit) for the year	**21,784,007**	**(26,822,704)**	**(5,038,697)**	**(45,942,377)**	**(40,903,680)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	3,589,900	(893,425)	**2,696,475**	1,204,168	**(1,492,307)**	
Call investment deposits	66,978	-	**66,978**	66,978	**-**	
Consumer debtors	37,723,416	32,671,299	**70,394,715**	42,933,030	**(27,461,685)**	
Other debtors	-	-	**-**	215,913	**215,913**	
Current portion of other financial assets	998,400	(196,340)	**802,060**	2,322,868	**1,520,808**	
Inventory	1,432,000	(462,525)	**969,475**	2,962,942	**1,993,467**	
	43,810,694	**31,119,009**	**74,929,703**	**49,705,899**	**(25,223,804)**	
Non-Current Assets						
Other financial assets	4,870,000	9,309,245	**14,179,245**	12,557,482	**(1,621,763)**	
Investments	-	(12,140,847)	**(12,140,847)**	(10,953,835)	**1,187,012**	
Investment property	1,300,000	-	**1,300,000**	1,417,000	**117,000**	
Property, plant and equipment	763,042,130	61,103,126	**824,145,256**	776,565,492	**(47,579,764)**	
Intangible assets	42,160	75,575	**117,735**	94,755	**(22,980)**	
	769,254,290	**58,347,099**	**827,601,389**	**779,680,894**	**(47,920,495)**	
Total Assets	**813,064,984**	**89,466,108**	**902,531,092**	**829,386,793**	**(73,144,299)**	
Liabilities						
Current Liabilities						
Bank overdraft	-	7,841,091	**7,841,091**	-	**(7,841,091)**	
Borrowing	2,381,965	1,328,187	**3,710,152**	6,805,904	**3,095,752**	
Consumer deposits	1,700,000	(10,548)	**1,689,452**	1,666,893	**(22,559)**	
Trade and other payables	24,469,383	98,968,717	**123,438,100**	167,057,438	**43,619,338**	
Provisions	5,777,503	(3,211,906)	**2,565,597**	5,192,375	**2,626,778**	
	34,328,851	**104,915,541**	**139,244,392**	**180,722,610**	**41,478,218**	
Non-Current Liabilities						
Borrowing	6,876,102	(195,067)	**6,681,035**	3,118,643	**(3,562,392)**	
Provisions	53,775,204	5,726,084	**59,501,288**	66,918,097	**7,416,809**	
	60,651,306	**5,531,017**	**66,182,323**	**70,036,740**	**3,854,417**	
Total Liabilities	**94,980,157**	**110,446,558**	**205,426,715**	**250,759,350**	**45,332,635**	
Net Assets	**718,084,827**	**(20,980,450)**	**697,104,377**	**578,627,443**	**(118,476,934)**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	718,084,827	(20,980,450)	**697,104,377**	578,627,443	**(118,476,934)**	
Total community wealth/equity	**718,084,827**	**(20,980,450)**	**697,104,377**	**578,627,443**	**(118,476,934)**	

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Appropriation Statement for the year ended 30 June 2016

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	26,218,845	(3,533,486)	22,685,359	-		22,685,359	15,557,515		(7,127,844)	69 %	59 %
Service charges	80,642,500	972,500	81,615,000	-		81,615,000	96,991,664		15,376,664	119 %	120 %
Investment revenue	7,920,000	3,280,000	11,200,000	-		11,200,000	11,264,426		64,426	101 %	142 %
Transfers recognised - operational	56,332,000	(4,690,000)	51,642,000	-		51,642,000	52,996,090		1,354,090	103 %	94 %
Other own revenue	9,153,930	(7,478,980)	1,674,950	-		1,674,950	2,928,857		1,253,907	175 %	32 %
Total revenue (excluding capital transfers and contributions)	**180,267,275**	**(11,449,966)**	**168,817,309**	**-**		**168,817,309**	**179,738,552**		**10,921,243**	**106 %**	**100 %**
Employee costs	(72,451,247)	(14,346,453)	(86,797,700)	-	-	(86,797,700)	(91,860,505)	5,062,805	(5,062,805)	106 %	127 %
Remuneration of councillors	(4,937,000)	(1,559,000)	(6,496,000)	-	-	(6,496,000)	(5,650,962)	-	845,038	87 %	114 %
Debt impairment	(16,500,000)	16,500,000	-			-	(15,612,017)	15,612,017	(15,612,017)	DIV/0 %	95 %
Depreciation and asset impairment	-	-	-			-	(21,298,189)	21,298,189	(21,298,189)	DIV/0 %	DIV/0 %
Finance charges	(1,820,000)	1,820,000	-	-	-	-	(11,934,139)	11,934,139	(11,934,139)	DIV/0 %	656 %
Materials and bulk purchases	(50,350,000)	3,750,000	(46,600,000)	-	-	(46,600,000)	(50,869,470)	4,269,470	(4,269,470)	109 %	101 %
Transfers and grants	(5,738,667)	(18,572,538)	(24,311,205)	-	-	(24,311,205)	(12,257,877)	-	12,053,328	50 %	214 %
Other expenditure	(29,970,359)	(2,964,741)	(32,935,100)	-	-	(32,935,100)	(37,492,181)	4,557,081	(4,557,081)	114 %	125 %
Total expenditure	**(181,767,273)**	**(15,372,732)**	**(197,140,005)**	**-**	**-**	**(197,140,005)**	**(246,975,340)**	**62,733,701**	**(49,835,335)**	**125 %**	**136 %**
Surplus/(Deficit)	**(1,499,998)**	**(26,822,698)**	**(28,322,696)**	**-**		**(28,322,696)**	**(67,236,788)**		**(38,914,092)**	**237 %**	**4,482 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	23,284,000	-	23,284,000	-		23,284,000	21,294,402		(1,989,598)	91 %	91 %
Surplus (Deficit) after capital transfers and contributions	**21,784,002**	**(26,822,698)**	**(5,038,696)**	**-**		**(5,038,696)**	**(45,942,386)**		**(40,903,690)**	**912 %**	**(211)%**
Surplus/(Deficit) for the year	**21,784,002**	**(26,822,698)**	**(5,038,696)**	**-**		**(5,038,696)**	**(45,942,386)**		**(40,903,690)**	**912 %**	**(211)%**
Capital expenditure and funds sources											
Total capital expenditure	23,495,359	22,758,325	46,253,684	-		46,253,684	24,666,940		(21,586,744)	53 %	105 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	37,622,360		37,622,360	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(36,685,818)		(36,685,818)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(856,147)		(856,147)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**80,395**		**80,395**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	3,334,600	-	3,334,600	-		3,334,600	1,123,773		(2,210,827)	34 %	34 %
Cash and cash equivalents at year end	**3,334,600**	**-**	**3,334,600**	**-**		**3,334,600**	**1,204,168**		**2,130,432**	**36 %**	**36 %**

Appropriation Statement for the year ended 30 June 2016

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				13,729,961
Service charges				81,130,237
Investment revenue				9,574,817
Transfers recognised - operational				55,351,115
Other own revenue				2,929,983
Total revenue (excluding capital transfers and contributions)				**162,716,113**
Employee costs	-	-	-	(86,266,134)
Remuneration of councillors	-	-	-	(4,960,501)
Debt impairment	-	-	-	(13,637,914)
Depreciation and asset impairment	-	-	-	(30,158,565)
Finance charges	-	-	-	(2,693,701)
Materials and bulk purchases	-	-	-	(45,018,457)
Transfers and grants	-	-	-	(13,331,798)
Other expenditure	-	-	-	(35,218,795)
Total expenditure	**-**	**-**	**-**	**(231,285,865)**
Surplus/(Deficit)				**(68,569,752)**
Transfers recognised - capital				25,077,296
Surplus (Deficit) after capital transfers and contributions				**(43,492,456)**
Surplus/(Deficit) for the year				**(43,492,456)**
Capital expenditure and funds sources				
Total capital expenditure				14,146,057

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				54,306,093
Net cash from (used) investing				(15,559,412)
Net cash from (used) financing				119,910
Net increase/(decrease) in cash and cash equivalents				**38,866,591**
Cash and cash equivalents at the beginning of the year				(37,742,818)
Cash and cash equivalents at year end				**1,123,773**

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the unaudited annual financial statements.

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts disclosed in the unaudited annual financial statementsare rounded-off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The municipality has capitalised the provision for landfill rehabilitation as per GRAP 17 (Property, plant and equipment). In accordance with GRAP 17, this asset is depreciated over the estimated useful life of the landfill, as determined in the valuation of the landfill rehabilitation provision.

Depreciation only commences when the asset is ready for its intended use.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure	Straight line	5-60 years
Community	Straight line	5-60 years
Landfill sites	Straight line	1-12 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.5 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Accounting Policies

1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

1.9 Financial instruments (continued)

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Accounting Policies

1.9 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities (DBSA)	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Accounting Policies

1.11 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Accounting Policies

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.14 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all medical aid funds, with which the municipality is associated, provide forcontinued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations i1n the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Accounting Policies

1.15 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.15 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2016 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 19.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

Accounting Policies

1.16 Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and Investment income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Accounting Policies

1.20 Revenue

Revenue comprises of sales to customers and service rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.24 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.25 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Accounting Policies

1.27 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.29 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the financial period from 01/07/2015 to 30/06/2016.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.34 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

Figures in Rand	2016	2015

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has early adopted the standard for the first time in the 2016 unaudited annual financial statements.

The impact of the standard is not material.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has early adopted the standard for the first time in the 2016 unaudited annual financial statements.

The impact of the standard is not material.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's unaudited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual unaudited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:
- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

Figures in Rand	2016	2015

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	587,576	890,178
Bank overdraft	-	(526,905)
Cash on hand	2,292	104
Short-term deposits	614,300	760,396
	1,204,168	**1,123,773**
Current assets	1,204,168	1,650,678
Current liabilities	-	(526,905)
	1,204,168	**1,123,773**
The total amount of undrawn facilities available for future operating activities and commitments	614,300	760,396

The municipality had the following bank accounts

Description / account number	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Current accounts						
ABSA Bank Limited: 4051 445 435	453,884	55,763	(95,054)	453,884	(526,905)	(40,147,304)
Standard Bank Limited: 0417 902 19	133,692	711,194	488,116	133,692	890,178	664,261
Short-term Investments						
ABSA Bank Limited: 9117 271 903	222,927	103,390	1,089,683	222,927	103,390	1,089,683
First National Bank: 6200 698 309 4	2,047	2,427	2,513	2,047	2,427	2,513
First National Bank: 6209 133 690 1	-	191,669	183,952	-	191,669	183,952
First National Bank: 6209 576 378 8	-	30,553	29,510	-	30,553	29,510
Standard Bank Limited: 0486 432 700 02	10,068	52,314	50,903	10,068	52,314	50,903
Standard Bank Limited: 0489 042 950 04	59,930	58,221	56,650	59,930	58,221	56,650
Stanlib: I533 550 21	319,328	321,821	327,013	319,328	321,821	327,014
Total	**1,201,876**	**1,527,352**	**2,133,286**	**1,201,876**	**1,123,668**	**(37,742,818)**

Figures in Rand	2016	2015

4. Inventories

Maintenance materials	2,884,731	856,589
RDP Properties	1,463	1,463
Water	76,748	68,646
	2,962,942	**926,698**

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

5. Other financial assets

Designated at fair value

Long-term debtors	14,880,350	13,472,750
The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months.		
Old Mutual - 1166 5522	66,978	66,978
The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2016.		
	14,947,328	13,539,728
Impairments - Long-term debtors	(10,953,835)	(9,928,749)
	3,993,493	**3,610,979**

Non-current assets		
Designated at fair value	1,603,647	1,516,210
Current assets		
Designated at fair value	2,389,846	2,094,769

Figures in Rand	2016	2015

6. Receivables from exchange transactions

Consumer debtors - Electricity	14,675,374	11,814,514
Consumer debtors - Water	7,567,289	6,462,364
Consumer debtors - Waste water	3,457,813	3,233,582
Consumer debtors - Refuse	2,642,553	2,369,697
Consumer debtors - Long-term debtors	968,340	591,826
Consumer debtors - Other	595,675	621,268
	29,907,044	**25,093,251**

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	29,907,044	25,093,251

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(74,110,328)	(62,983,956)
Provision for impairment	(14,415,928)	(11,126,372)
	(88,526,256)	**(74,110,328)**

7. Receivables from non-exchange transactions

Consumer debtors - Rates	13,025,985	10,138,193
Traffic fines	208,730	198,609
Municipal employees	7,184	-
	13,241,899	**10,336,802**

Receivables from non-exchange transactions impaired

As of 30 June 2016, other receivables from non-exchange transactions of R - (2015: R -) were impaired and provided for.

The amount of the provision was R (20,478,981) as of 30 June 2016 (2015: R (19,276,147)).

The ageing of these loans is as follows:

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	13,241,899	10,336,802

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(19,276,147)	(18,083,925)
Provision for impairment	(1,202,834)	(1,192,222)
	(20,478,981)	**(19,276,147)**

Figures in Rand	2016	2015
8. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	33,504,967	29,414,340
Consumer debtors - Electricity	34,717,866	27,391,775
Consumer debtors - Water	38,751,233	32,635,052
Consumer debtors - Waste water	15,588,662	13,376,663
Consumer debtors - Refuse	14,870,725	12,420,713
Consumer debtors - Long-term debtor's installments	4,560,303	3,455,081
Consumer debtors - Other	9,944,511	9,924,295
	151,938,267	**128,617,919**
Less: Allowance for impairment		
Consumer debtors - Rates	(20,478,982)	(19,276,147)
Consumer debtors - Electricity	(20,042,492)	(15,577,261)
Consumer debtors - Water	(31,183,944)	(26,172,688)
Consumer debtors - Waste water	(12,130,849)	(10,143,081)
Consumer debtors - Refuse	(12,228,172)	(10,051,016)
Consumer debtors - Long-term debtor's installments	(3,591,963)	(2,863,255)
Consumer debtors - Other	(9,348,836)	(9,303,027)
	(109,005,238)	**(93,386,475)**
Net balance		
Consumer debtors - Rates	13,025,985	10,138,193
Consumer debtors - Electricity	14,675,374	11,814,514
Consumer debtors - Water	7,567,289	6,462,364
Consumer debtors - Waste water	3,457,813	3,233,582
Consumer debtors - Refuse	2,642,553	2,369,697
Consumer debtors - Long-term debtor's installments	968,340	591,826
Consumer debtors - Other	595,675	621,268
	42,933,029	**35,231,444**
Included in above is receivables from exchange transactions		
Electricity	14,675,374	11,814,514
Water	7,567,289	6,462,364
Waste water	3,457,813	3,233,582
Refuse	2,642,553	2,369,697
Long-term debtor's installments	968,340	591,826
Other	595,675	621,268
Total receivables from exchange transactions	**29,907,044**	**25,093,251**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	13,025,985	10,138,193
Net balance	**42,933,029**	**35,231,444**

Figures in Rand	2016	2015

8. Consumer debtors disclosure (continued)

Rates		
Current (0 -30 days)	3,716,020	3,408,559
31 - 60 days	76,857	265,057
61 - 90 days	65,794	281,740
91 - 120 days	200,503	300,822
121 - 365 days	11,589,268	9,637,474
> 365 days	17,856,524	15,520,689
Less: Allowance for impairment	(20,478,981)	(19,276,148)
	13,025,985	**10,138,193**
Electricity		
Current (0 -30 days)	3,909,001	3,167,806
31 - 60 days	1,237,996	1,028,519
61 - 90 days	1,230,901	954,166
91 - 120 days	998,496	966,218
121 - 365 days	7,006,337	4,403,173
> 365 days	20,335,136	16,871,893
Less: Allowance for impairment	(20,042,493)	(15,577,261)
	14,675,374	**11,814,514**
Water		
Current (0 -30 days)	1,357,452	1,214,487
31 - 60 days	881,651	833,533
61 - 90 days	917,267	730,079
91 - 120 days	868,023	717,777
121 - 365 days	5,638,478	5,389,238
> 365 days	29,088,362	23,749,939
Less: Allowance for impairment	(31,183,944)	(26,172,689)
	7,567,289	**6,462,364**
Waste water		
Current (0 -30 days)	681,894	690,561
31 - 60 days	402,351	402,182
61 - 90 days	366,116	357,347
91 - 120 days	352,895	330,606
121 - 365 days	2,503,732	2,350,856
> 365 days	11,281,674	9,245,111
Less: Allowance for impairment	(12,130,849)	(10,143,081)
	3,457,813	**3,233,582**
Refuse		
Current (0 -30 days)	491,018	466,864
31 - 60 days	334,064	322,626
61 - 90 days	304,731	293,416
91 - 120 days	297,360	273,405
121 - 365 days	2,224,826	1,998,878
> 365 days	11,218,726	9,065,525
Less: Allowance for impairment	(12,228,172)	(10,051,017)
	2,642,553	**2,369,697**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015

8. Consumer debtors disclosure (continued)

Long-term debtor's installments		
Current (0 -30 days)	238,138	196,910
31 - 60 days	192,363	139,928
61 - 90 days	167,293	107,988
91 - 120 days	180,623	66,435
121 - 365 days	898,231	339,845
> 365 days	2,883,655	2,603,975
Less: Allowance for impairment	(3,591,963)	(2,863,255)
	968,340	**591,826**
Other		
Current (0 -30 days)	77,206	80,224
31 - 60 days	61,073	66,899
61 - 90 days	58,190	64,809
91 - 120 days	60,419	63,016
121 - 365 days	528,762	552,477
> 365 days	9,158,861	9,096,870
Less: Allowance for impairment	(9,348,836)	(9,303,027)
	595,675	**621,268**

Figures in Rand	2016	2015

8. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	7,402,575	6,971,326
31 - 60 days	2,903,255	2,603,534
61 - 90 days	2,842,955	2,319,055
91 - 120 days	2,573,169	2,252,574
121 - 365 days	23,329,402	18,728,069
> 365 days	89,870,054	78,034,207
	128,921,410	110,908,765
Less: Allowance for impairment	(105,255,275)	(90,268,102)
	23,666,135	**20,640,663**
Industrial/ commercial		
Current (0 -30 days)	1,439,314	1,228,040
31 - 60 days	81,628	225,942
61 - 90 days	65,293	240,048
91 - 120 days	179,083	247,100
121 - 365 days	3,068,404	1,845,886
> 365 days	4,226,233	1,888,103
	9,059,955	5,675,119
Less: Allowance for impairment	(484,749)	(257,983)
	8,575,206	**5,417,136**
National and provincial government		
Current (0 -30 days)	1,105,802	909,082
31 - 60 days	191,685	202,635
61 - 90 days	190,870	210,893
91 - 120 days	195,368	195,200
121 - 365 days	2,917,519	2,626,705
> 365 days	6,201,621	5,127,673
	10,802,865	9,272,188
Less: Allowance for impairment	(141,995)	(120,565)
	10,660,870	**9,151,623**
Other		
Current (0 -30 days)	523,037	116,961
31 - 60 days	9,786	26,632
61 - 90 days	11,174	19,547
91 - 120 days	10,699	23,406
121 - 365 days	1,074,309	1,471,280
> 365 days	1,525,032	1,104,018
	3,154,037	2,761,844
Less: Allowance for impairment	(3,123,220)	(2,739,826)
	30,817	**22,018**

Figures in Rand	2016	2015

8. Consumer debtors disclosure (continued)

Total		
Current (0 -30 days)	10,470,728	9,225,409
31 - 60 days	3,186,354	3,058,743
61 - 90 days	3,110,292	2,789,543
91 - 120 days	2,958,319	2,718,280
121 - 365 days	30,389,634	24,671,940
> 365 days	101,822,940	86,154,001
	151,938,267	128,617,916
Less: Allowance for impairment	(109,005,239)	(93,386,476)
	42,933,028	**35,231,440**
Less: Allowance for impairment		
Current (0 -30 days)	(510,372)	(139,038)
31 - 60 days	(42,100)	(56,810)
61 - 90 days	(80,222)	(78,776)
91 - 120 days	(97,813)	(101,773)
121 - 150 days	(138,584)	(142,299)
151 - 365+ days	(108,136,147)	(92,867,779)
	(109,005,238)	**(93,386,475)**
Total debtor past due but not impaired		
Current (0 -30 days)	9,960,356	9,086,371
31 - 60 days	3,144,254	3,001,933
61 - 90 days	3,030,070	2,710,767
91 - 120 days	2,860,506	2,616,507
151 - 365+ days	23,937,843	17,815,863
	42,933,029	**35,231,441**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(93,386,475)	(81,067,549)
Contributions to allowance	(15,618,763)	(14,780,600)
Reversal of allowance	-	2,461,674
	(109,005,238)	**(93,386,475)**

9. VAT receivable

South African Revenue Services	-	2,162,824

In determining the recoverability of VAT receivable, the municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from SARS.

VAT is payable/receivable on the cash basis.

Figures in Rand	2016	2015

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	205,416	(110,661)	94,755	163,108	(87,681)	75,427

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	75,427	42,308	(22,980)	94,755

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	98,407	(22,980)	75,427

11. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,417,000	-	1,417,000	1,300,000	-	1,300,000

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	1,300,000	117,000	1,417,000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	1,200,000	100,000	1,300,000

Figures in Rand	2016	2015

11. Investment property (continued)

Details of property

Erf 1654, Kakamas		
Title deed number T74252/198		
- Purchase price: 20 July 1987	19,830	19,830
- Fair value adjustment	450,170	400,170
	470,000	**420,000**
Erf 666, Keimoes		
Title deed number G16/1942s		
- Fair value adjustment	227,000	220,000
Erf 667, Keimoes		
Terms and conditions		
- Fair value adjustment	720,000	660,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was August 2016 as per the valuations reports. The valuation of investment property were done to reflect the fair value of investment properties as at 30 June 2016. Revaluations were performed by an independent valuer, Mr D van Vuuren as a Professional Assosiated Valuer, of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

Investment properties comprise commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

These assumptions are based on current market conditions.

There are no restrictions on the realisibility of investment property or the remittance of revenue and proceeds of disposal.

Reconciliation of valuation obtained and the valuation included in the financial statements

Amounts recognised in surplus and deficit for the year.

Cumulative change in fair value recognised in surplus or deficit	117,000	100,000

Figures in Rand	2016	2015

12. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	61,539,297	(12,364,241)	49,175,056	61,557,390	(10,659,644)	50,897,746
Community assets	24,484,339	(7,274,490)	17,209,849	19,177,862	(6,447,136)	12,730,726
Heritage assets	5	-	5	5	-	5
Infrastructure assets	714,548,989	(185,206,940)	529,342,049	708,175,175	(161,636,473)	546,538,702
Land	91,059,600	-	91,059,600	91,059,600	-	91,059,600
Landfill sites	47,080,228	(27,661,285)	19,418,943	41,589,919	(23,519,613)	18,070,306
Work-in-progress	20,948,482	-	20,948,482	26,998,578	-	26,998,578
Other property, plant and equipment	31,524,512	(18,651,747)	12,872,765	31,425,764	(15,018,569)	16,407,195
Total	**991,185,452**	**(251,158,703)**	**740,026,749**	**979,984,293**	**(217,281,435)**	**762,702,858**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	50,897,746	-	(18,093)	-	(1,704,597)	49,175,056
Community assets	12,730,726	5,652,966	(346,489)	-	(827,354)	17,209,849
Heritage assets	5	-	-	-	-	5
Infrastructure assets	546,538,702	7,982,271	(1,608,458)	-	(23,570,466)	529,342,049
Land	91,059,600	-	-	-	-	91,059,600
Landfill sites	18,070,306	5,490,309	-	-	(4,141,672)	19,418,943
Work-in-progress	26,998,578	19,409,743	-	(25,459,839)	-	20,948,482
Other property, plant and equipment	16,407,195	98,747	-	-	(3,633,177)	12,872,765
	762,702,858	**38,634,036**	**(1,973,040)**	**(25,459,839)**	**(33,877,266)**	**740,026,749**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	52,645,447	-	(62,998)	(1,684,703)	50,897,746
Community assets	14,034,088	-	(1,303,362)	-	12,730,726
Heritage assets	5	-	-	-	5
Infrastructure assets	563,112,372	13,204,259	(2,630,273)	(27,147,656)	546,538,702
Land	91,059,600	-	-	-	91,059,600
Landfill sites	21,175,701	878,850	-	(3,984,245)	18,070,306
Work-in-progress	18,324,284	8,674,294	-	-	26,998,578
Other property, plant and equipment	20,004,049	-	-	(3,596,854)	16,407,195
	780,355,546	**22,757,403**	**(3,996,633)**	**(36,413,458)**	**762,702,858**

Figures in Rand	2016	2015

12. Property, plant and equipment (continued)

Depreciation rates

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure	Straight line	5-60 years
Community	Straight line	5-60 years
Landfill sites	Straight line	1-12 years

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2016	2015

13. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	1,204,168	1,204,168
Other financial assets	2,389,846	-	2,389,846
	2,389,846	**1,204,168**	**3,594,014**

Financial liabilities

	At amortised cost	Total
Consumer deposits	1,666,893	1,666,893
Finance lease obligation	439,051	439,051
Other financial liabilities	9,485,494	9,485,494
Trade and other payables from exchange transactions	161,285,648	161,285,648
	172,877,086	**172,877,086**

2015

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	1,650,678	1,650,678
Other financial assets	2,094,769	-	2,094,769
	2,094,769	**1,650,678**	**3,745,447**

Financial liabilities

	At amortised cost	Total
Bank overdraft	526,905	526,905
Consumer deposits	1,628,822	1,628,822
Other financial liabilities	9,369,263	9,369,263
Trade and other payables from exchange transactions	138,734,445	138,734,445
Finance lease obligation	1,333,178	1,333,178
	151,592,613	**151,592,613**

14. Consumer deposits

Electricity	1,215,113	1,209,582
Water	451,780	419,240
	1,666,893	**1,628,822**

Guarantees held in lieu of electricity and water deposits

No interest is paid on deposits.

Figures in Rand	2016	2015

15. Employee benefit obligations

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statement

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(18,703,014)	(16,860,229)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16,860,229	14,152,738
Net expense recognised in the statement of financial performance	1,842,785	2,707,491
	18,703,014	**16,860,229**

Net expense recognised in the statement of financial performance

Current service cost: Post employment benefits	985,475	710,109
Contributions (benefits paid)	(790,108)	(484,380)
Interest cost: Post employment benefits	1,474,211	1,239,595
Actuarial losses: Post employment benefits	173,207	1,242,167
	1,842,785	**2,707,491**

Calculation of actuarial losses

Basis changes: increase in net discount rate	(54,407)	344,102
Subsidy increases higher than assumed	25,444	383,392
Changes to membership profile different from assumed	(40,126)	845,084
Actual benefits vesting, greater than expected	242,296	215,109
	173,207	**1,787,687**

Figures in Rand	2016	2015

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.04 %	8.88 %
Health care cost inflation rate	8.16 %	8.02 %
Net effective discount rate	0.82 %	0.80 %

Key demographic assumptions used at the report date:

Average retirement age:	63 years	63 years
Benefit accrual age:	55 years	55 years
Continuation of membership at retirement:	90 %	90 %
Proportion assumed married at retirement:	95 %	95 %
Proportion of eligible current non-member employees joining the scheme by retirement:		
Mortality during employment:	SA 85-90	SA 85-90
Mortality post-retirement:	PA90-1 ultimate	PA90-1 ultimate

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.04% per annum has been used. The corresponding index-linked yield at this term is 1.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

The three components are as follows:

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.16% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.66%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from ((1+9.04%)/(1+8.16%))-1.

The expected inflation assumption of 6.66% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.77%) and those of fixed interest bonds (9.04%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.04%-0.50%)/(1+1.77%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Figures in Rand	2016	2015

15. Employee benefit obligations (continued)

Replacement ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

16. Finance lease obligation

Minimum lease payments due		
- within one year	450,000	972,378
- in second to fifth year inclusive	-	450,000
	450,000	1,422,378
less: future finance charges	(10,949)	(89,200)
Present value of minimum lease payments	**439,051**	**1,333,178**
Present value of minimum lease payments due		
- within one year	439,051	894,127
- in second to fifth year inclusive	-	439,051
	439,051	**1,333,178**
Non-current liabilities	-	439,051
Current liabilities	439,051	894,127
	439,051	**1,333,178**

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 11% (2015: 11%).

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	439,051	1,333,178

Figures in Rand	2016	2015

17. Other financial liabilities

At amortised cost

Development Bank of Southern Africa Ltd	1,902,008	1,719,286

Loan number: 100498/1
Product number: 61000080

The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.

Redemption date: 30/06/2023.

Development Bank of Southern Africa Ltd	6,296,059	6,028,795

Loan number: 103723/2
Product number: 61001016

The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.

Redemption date: 28/02/2019.

Development Bank of Southern Africa Ltd	546,577	562,896

Loan Number: 103723/3
Product number: 61001017

The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.

Redemption date: 31/08/2015

Development Bank of Southern Africa Ltd	-	378,642

Loan number: 13315/202
Product number: 61003127

The loan is secured and is being repaid over a period of 20 years in equal installments of R48,427.69 every 6 months with a fixed interest rate of 16.500% per annum.

Redemption date: 31/03/2019.

Figures in Rand	2016	2015
17. Other financial liabilities (continued)		
	740,850	679,644
Development Bank of Southern Africa Ltd		
Loan number: 13702/101 Product number: 61003256 The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of9.800% per annum. Redemption date: 30/06/2021.		
Total other financial liabilities	**9,485,494**	**9,369,263**
Non-current liabilities		
At amortised cost	3,118,642	4,783,445
Current liabilities		
At amortised cost	6,366,852	4,585,818
18. Payables from exchange transactions		
Accrual for employee bonusses	2,628,245	2,538,563
Accrual for employee leave pay	5,471,179	4,909,283
Capital projects retention fees	97,536	413,623
Cash suspense accounts	(1,534,316)	(1,433,479)
Consumer debtors with credit balances	11,633,710	9,117,991
Department of Transport, Safety and Liaison	25,354,879	15,957,458
Deposits received	229,518	194,629
Payroll creditors	13,939,337	9,367,463
Trade payables	100,091,424	58,500,797
Unallocated deposits and receipts	3,371,577	39,158,570
Other payables	2,559	9,547
	161,285,648	**138,734,445**

The carrying amount of loans to and from shareholders are denominated in the following currencies:

Rand	161,285,648	138,734,445

Figures in Rand	2016	2015

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill sites rehabilitation	43,644,891	5,490,309	-	2,358,254	51,493,454
Long service awards	1,438,915	303,460	-	-	1,742,375
Performance bonuses	122,850	171,629	(122,850)	-	171,629
	45,206,656	**5,965,398**	**(122,850)**	**2,358,254**	**53,407,458**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Landfill sites rehabilitation	41,917,741	1,727,150	43,644,891
Long service awards	1,093,041	345,874	1,438,915
Performance bonuses	-	122,850	122,850
	43,010,782	**2,195,874**	**45,206,656**

Non-current liabilities	48,215,083	42,641,059
Current liabilities	5,192,375	2,565,597
	53,407,458	**45,206,656**

Landfill sites rehabilitation provision

ESS General landfill closure costing model:

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:
- Pre-closure planning and approvals
- Final rehabilitation and closure
- 30 years post-closure monitoring

Adjustment of unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately in each report of the different landfill sites.

CPI:

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6.2064%.

Figures in Rand	2016	2015

19. Provisions (continued)

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Long Service Award Provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	852	5,759,430
Keimoes Camping and Caravan Park	162,692	409,516
	163,544	**6,168,946**

Movement during the year

Balance at the beginning of the year	6,168,946	4,829,684
Additions during the year	13,789,000	21,678,000
Income recognition during the year	(19,794,402)	(20,338,738)
	163,544	**6,168,946**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Figures in Rand	2016	2015

21. VAT payable

South African Revenue Service	5,608,252	-

In determining the recoverability of VAT receivable, the municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from SARS.

VAT is payable/receivable on the cash basis.

22. Revenue

Agency services	1,107,658	957,431
Interest received - investment	11,264,426	9,574,817
Rental of facilities and equipment	214,426	204,078
Service charges	96,991,664	81,130,237
Other income	972,349	1,365,947
Property rates	15,556,330	13,588,100
Property rates - penalties imposed	1,185	141,861
Fines	117,424	302,527
Government grants & subsidies	74,290,492	80,428,411
	200,515,954	**187,693,409**

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services	1,107,658	957,431
Interest received	11,264,426	9,574,817
Rental of facilities and equipment	214,426	204,078
Service charges	96,991,664	81,130,237
Other income	972,349	1,365,947
	110,550,523	**93,232,510**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	15,556,330	13,588,100
Property rates - penalties imposed	1,185	141,861
Transfer revenue		
Fines	117,424	302,527
Government grants & subsidies	74,290,492	80,428,411
	89,965,431	**94,460,899**

23. Agency services

Motor vehicle licence renewals	1,107,658	957,431

24. Interest received

Interest revenue		
Other financial assets	200,756	130,290
Interest charged on trade and other receivables	11,063,670	9,444,527
	11,264,426	**9,574,817**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015

25. Rental of facilities and equipment

Facilities owned by the Municipality		
Premises	214,426	204,078

26. Service charges

Sale of electricity	69,423,986	55,750,395
Sale of water	14,016,879	12,606,696
Sewerage and sanitation charges	7,993,740	7,543,581
Refuse removal	5,557,059	5,229,565
	96,991,664	**81,130,237**

27. Other income

Administration income	38,811	109,368
Buildingplan fees	44,687	31,594
Cemetery fees	21,214	24,404
Clearance certificates	63,432	35,020
Commission: Policies and other	132,133	97,670
Connection fees	227,264	240,517
Driver and vehicle permits	34,116	46,134
Driver licences	120,547	270,616
Learner licences	45,747	92,280
Number plate applications	4,923	10,357
Photocopies	5,870	3,920
Posters and banners	-	15,048
Property border exceeding's	42,388	18,267
Re-connection fees	34,097	35,310
Rezoning applications	17,054	11,301
Telephone fees reclaimed	-	9,228
Tender fees	2,237	9,123
Testing of installations - Meters	4,557	5,248
Traffic documents	33,613	40,470
Traffic escorts	2,060	2,379
Valuation certificates	5,397	6,174
Vehicle registrations	76,883	92,323
Other income	15,319	159,196
	972,349	**1,365,947**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015

28. Property rates

Rates received

Residential	19,960,160	41,320,210
Small holdings and farms	(907)	-
Less: Rebates	(4,402,923)	(27,732,110)
	15,556,330	13,588,100
Property rates - penalties imposed	1,185	141,861
	15,557,515	**13,729,961**

Valuations

Residential	1,110,268,200	644,591,308
Commercial	70,944,000	-
State	166,008,000	100,796,069
Municipal	10,734,000	34,879,425
Small holdings and farms	5,207,582,655	3,347,506,857
Exempted valuations	185,886,000	34,905,637
	6,751,422,855	**4,162,679,296**

29. Fines

Traffic fines	56,650	220,750
General	58,733	77,017
Library	2,041	4,760
	117,424	**302,527**

Figures in Rand	2016	2015

30. Government grants and subsidies

Operating grants		
Equitable share	47,648,090	50,293,087
Local Government Finance Management Grant (FMG)	1,875,000	1,800,000
Municipal Systems Improvement Grant (MSIG)	930,000	934,000
Department of Sports, Arts and Culture - Library	1,354,000	882,000
Subsidy - Training Costs	-	68,028
Expanded Public Works Programme (EPWP)	1,189,000	1,374,000
	52,996,090	**55,351,115**
Capital grants		
Municipal Infrastructure Grant (MIG)	19,547,578	20,248,253
Cooperate Governance & Traditional Affairs - Housing	-	1,546,418
Integrated National Electrification Programme (INEP)	1,500,000	1,000,000
Keimoes Camping and Caravan Park	246,824	90,484
Department of Sport and Recreation - Sport for Change	-	1,420,572
Regional Bulk Infrastructure Grant (RBIG)	-	771,569
	21,294,402	**25,077,296**
	74,290,492	**80,428,411**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	26,395,578	30,135,324
Unconditional grants received	47,648,090	50,293,087
	74,043,668	**80,428,411**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5,759,430	4,829,684
Current-year receipts	13,789,000	21,178,000
Conditions met - transferred to revenue	(14,857,578)	(20,248,254)
Unspent 2012 - 2014 withheld from equitable share.	(4,690,000)	-
	852	**5,759,430**

MIG used to construct roads and other infrastructure projects.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 20).

MSIG has been used to assist municipalities to perform their functions and stabilise institutional and governance systems as required by the regulatory requirements.

Figures in Rand	2016	2015

30. Government grants and subsidies (continued)

Local Government Finance Management Grant (FMG)

Current-year receipts	1,875,000	1,800,000
Conditions met - transferred to revenue	(1,875,000)	(1,800,000)
	-	**-**

This grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementing of the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,189,000	1,374,000
Conditions met - transferred to revenue	(1,189,000)	(1,374,000)
	-	**-**

The EPWP grant is mainly used for cleaning of the municipal streets and to provide minor form of job creation in the community.

Cooperative Governance and Traditional Affairs

Current-year receipts	-	1,546,418
Conditions met - transferred to revenue	-	(1,546,418)
	-	**-**

The housing grant was used for the project in Lennertsville.

Department of Sports - Library

Current-year receipts	1,354,000	882,000
Conditions met - transferred to revenue	(1,354,000)	(882,000)
	-	**-**

The library grant is used for library activities.

Department of Sport & Recreation - Sport for Change

Current-year receipts	-	1,420,572
Conditions met - transferred to revenue	-	(1,420,572)
	-	**-**

This grant is used to build and improve the communities sport facilities.

Keimoes Camping & Caravan Park

Balance unspent at beginning of year	409,516	-
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(246,824)	(90,484)
	162,692	**409,516**

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015

31. Bulk purchases

Electricity	49,467,050	42,816,689
Water	1,402,420	2,201,768
	50,869,470	**45,018,457**

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers.

The municipality purchases electricity in bulk from Eskom and water from Kakamas Waterverbruikers Vereniging and then redistributes it to consumers.

32. Contracted services

Information Technology Services	3,414,420	3,222,003
Fleet Services	1,052,321	1,027,733
Insurance	916,948	561,569
Specialist Services	197,140	153,840
Other Contractors	8,984,418	5,611,232
	14,565,247	**10,576,377**

33. Debt impairment

Consumer debtors	14,556,570	12,156,482
Long-term debtors	1,025,086	1,350,610
Traffic fines	30,361	130,822
	15,612,017	**13,637,914**

IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

34. Depreciation and amortisation

Intangible assets	22,980	24,690
Property, plant and equipment	21,275,209	30,133,875
	21,298,189	**30,158,565**

Figures in Rand	2016	2015

35. Employee related costs

Acting allowances	898,349	652,905
Basic salaries and wages	59,279,758	54,756,475
Bonuses	4,743,398	3,518,146
Pension fund contributions	8,992,794	8,171,719
Leave pay provision charge	948,457	1,622,976
Long-service awards	436,283	345,873
Medical aid contributions	1,122,781	1,126,482
Nightshift allowances	303,849	291,376
Standby allowances	1,891,123	1,544,977
Cellphone allowances	143,640	148,721
Uniform allowances	297,670	137,382
Industrial council contributions	34,039	27,191
Overtime payments	5,397,740	6,260,682
Skills development levy (SDL)	796,972	724,130
Post employment medical aid actuarial losses	173,207	1,242,167
Post employment medical aid interest	1,474,211	1,239,595
Termination benefits	985,475	710,109
Travel allowances	2,624,216	2,398,317
Unemployment insurance fund contributions (UIF)	623,615	558,221
Workmen compensation administration contributions (WCA)	13,325	12,133
Performance bonuses	48,780	122,850
Shift allowances	223,645	172,999
Ward committee members allowances	374,500	448,500
Other payroll levies	32,678	32,208
	91,860,505	**86,266,134**

Remuneration of municipal manager

Annual Remuneration	924,000	840,000
Car Allowance	360,000	360,000
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,785)
	1,282,215	**1,198,215**

Mr. J.G. Lategan was appointed as the acting municipal manager on 1 April 2014.

Remuneration of chief finance officer

Annual Remuneration	621,276	652,968
Travel Allowance	270,000	180,000
Performance Bonuses	54,600	40,950
Telephone allowance	12,000	18,000
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,785)
	956,091	**890,133**

Mr. J. Krapohl was permanently appointed as the Chief Financial Officer on 1 December 2013.

Figures in Rand	2016	2015

35. Employee related costs (continued)

Remuneration of director: Corporate Services

Annual Remuneration	891,276	832,968
Performance Bonuses	54,600	40,950
Telephone allowance	12,000	18,000
Contributions to UIF, Medical and Pension Funds	(1,784)	(10,097)
	956,092	**881,821**

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

Remuneration of director: Development and Planning

Annual Remuneration	891,276	832,968
Performance Bonuses	54,600	40,950
Telephone allowance	12,000	18,000
Contributions to UIF, Medical and Pension Funds	(1,785)	(1,785)
	956,091	**890,133**

Mr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

36. Finance costs

Bank	37,571	1,107
Environmental rehabilitation	2,358,254	848,300
Finance leases	78,251	171,105
Non-current borrowings	833,970	761,424
Trade and other payables	8,626,093	911,765
	11,934,139	**2,693,701**

Figures in Rand	2016	2015

37. General expenses

Advertising	88,494	120,134
Auditors remuneration	682,192	1,965,142
Bank charges	640,333	515,162
Cleaning materials	45,420	69,071
Community development and training	123,745	47,693
Computer expenses	99,589	27,808
Consulting and professional fees	4,213,985	2,938,976
Consumables	315,049	654,258
Departmental charges	2,194,753	2,563,373
Donations	67,891	46,570
Entertainment	58,188	248,919
Land surveyor costs	85,195	286,598
Lease rentals on operating leases	195,696	266,753
Licence fees	169,714	6,016
Motor vehicle expenses	5,020,963	5,796,829
Postage and courier	35,319	82,598
Printing and stationery	177,755	293,948
Protective clothing	82,394	-
Refuse removal	90,962	159,485
Small tools and equipment	-	9,848
Subscriptions and membership fees	24,259	491,159
Telephone and fax	330,386	-
Tourism development	-	450
Training fees	166,567	343,438
Travel and subsistence	4,619,611	2,894,704
Valuation roll expenses	320,040	1,263,096
Water purification chemicals	1,518,982	762,251
	21,367,482	**21,854,279**

38. Remuneration of councillors

Mayor	801,702	708,863
Speaker	624,117	571,264
Mayoral Committee Members	344,166	360,721
Councillors	3,880,977	3,319,653
	5,650,962	**4,960,501**

In-kind benefits

The Mayor and Speaker of the municipality serve in a fulltime capacity. Each is provided with an office at the municipal buildings.

The Mayor is provided with secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker has use of Council owned laptops.

Councillor remuneration is in line with the upper limits as per the Government Gazette.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
39. Repairs and maintenance		
Buildings	442,482	510,712
Electrical components	630,874	1,390,421
Sewerage	24,094	16,435
Street and storm water drainage	168,780	117,757
Tools and equipment	898	21,655
Water distribution	292,324	731,159
	1,559,452	**2,788,139**
40. Grants and subsidies paid		
Other subsidies		
Special Projects	1,276,386	1,186,690
Other	69,616	117,871
Indigent Support	9,224,702	8,025,779
Group co ID 8	103,443	-
Subsidy - Housing	975,095	156,073
Keimoes Camping & Caravan Park	-	90,484
CoGSTHA RDP Houses	608,635	3,754,901
	12,257,877	**13,331,798**
41. Fair value adjustments		
Investment property (Fair value model)	117,000	100,000
42. Auditors' remuneration		
Fees	682,192	1,965,142

Figures in Rand	2016	2015

43. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Amortisation on intangible assets	22,980	24,690
Depreciation on property, plant and equipment	21,275,209	30,133,875
Employee costs	97,511,467	91,226,635

44. Cash generated from operations

Deficit	(45,942,386)	(43,492,456)
Adjustments for:		
Depreciation and amortisation	21,298,189	30,158,565
Loss on sale of assets and liabilities	(400,000)	-
Fair value adjustments	(117,000)	(100,000)
Finance costs - Finance leases	78,251	171,105
Debt impairment	15,612,017	13,637,914
Movements in retirement benefit assets and liabilities	1,842,785	2,707,491
Movements in provisions	8,200,802	2,195,874
Changes in working capital:		
Inventories	(2,036,244)	96,189
Receivables from exchange transactions	(4,813,793)	(1,510,042)
Consumer debtors	(15,612,017)	(13,637,914)
Other receivables from non-exchange transactions	(2,905,097)	(3,790,621)
Payables from exchange transactions	60,613,108	62,977,943
VAT	7,771,076	3,516,109
Unspent conditional grants and receipts	(6,005,402)	1,339,262
Consumer deposits	38,071	36,674
	37,622,360	**54,306,093**

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	12,535,963	9,269,176
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	6,719,876	13,503,904
Total capital commitments		
Already contracted for but not provided for	12,535,963	9,269,176
Not yet contracted for and authorised by accounting officer	6,719,876	13,503,904
	19,255,839	**22,773,080**

Total commitments

Authorised capital expenditure	19,255,839	22,773,080

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Figures in Rand	2016	2015

46. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R 966,869. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Party and particulars

HC Turner, CJG Turner & DJ Turner: Flood damage	664,100	664,100
JG van Niekerk & N Van Niekerk: Flood damage	250,041	250,041
Me. E Basson	52,728	52,728
Price Waterhouse Coopers: Services Rendered	-	517,058
	966,869	**1,483,927**

47. Related parties

Relationships

Accounting Officer	No related parties transactions noted except for remuneration as disclosed in note
Joint venture of key management	No related parties transactions noted.
Associate of close family member of key management	No related parties transactions noted.
Post employment benefit plan for employees of a related party of a close family member of key management	No related parties transactions noted.
Members of key management	Mr. J.G. Lategan Mr. J. Krapohl Adv. R. Neethling Mr. J. MacKay

48. Accounting Officer's emoluments

Executive

2016

	Emoluments	Other benefits*	Total
Mr. J.G. Lategan (Acting)	924,000	360,000	1,284,000

2015

	Emoluments	Other benefits*	Total
Mr. J.G. Lategan (Acting)	852,969	360,000	1,212,969

49. Prior period errors

1. Inventories: Duplication of inventory items on the count sheets removed and reconciled.

2.Other finacial assets: Recalculation of Impairment was done on Long-term debtors and Indigent accounts was accounted for.

3. VAT on various invoices corrected and claimed

4. Property, Plant and equipment prior period errors was corrected and reconciled to the asset register, and the annual financial statements was adjusted accordingly

5. Other financial liabilities: Long-term loans was reconciled to the audit certificated received from DBSA and the annual financial statements was adjusted accordingly

6. Accumulated surplus: The difference in Accumulated suplus relates to the adjustments mentioned above.

7. Agency services was reconciled and adjusted according to the statement received from the Dept. Transport, Safety and Liason

8. Other income: Payments received was identified as Other income

9. Fines: the municipality accounted for traffic fines issued

10. Bulk purchases: Eskom was reconciled and the creditors was adjusted accordingly

11. Contracted services: Payments was correcly allocated with regard to payments made for contracted services

12. Debt impairment calculations was reviewed and the annual financial statements was adjusted accordingly.

13. Depreciation: prior period errors was corrected and the asset register was reconciled with the annual finacial statements

14. Additional finance charges was identified on the DBSA loans and the annual financial statements was adjusted accordingly

15. Transfers and subsidies: Grant expenditure on the Flood houses was rectified.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Inventories	-	(1,463)
Other finacial assets	-	(2,212,099)
VAT Receivable	-	134,071
Property, plant and equipment	-	86,324,733
Other financial liabilities	-	224,039
Opening Accumulated Surplus or Deficit	-	31,059,146
Statement of Financial Performance		
Agency services	-	(4,582)
Other income	-	(561,379)
Fines	-	(174,429)
Bulk purchases	-	4,406,688
Contracted services	-	(5,358)
Debt impairment	-	(2,081,276)
Depreciation and amortisation	-	(10,380,624)
Finance costs	-	(219,712)
Transfers and subsidies	-	(3,754,900)

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regulary to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents, trade receivables and other financial assets.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

51. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts are also a priority for the municipality for the financial year.

52. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure.

53. Unauthorised expenditure

Opening balance	221,031,110	157,797,581
Add: Unauthorised expenditure - current year	62,733,701	63,233,529
	283,764,811	**221,031,110**

54. Fruitless and wasteful expenditure

Opening balance	2,081,672	805,074
Add: Fruitless and wasteful expenditure - current year	7,919,219	1,276,598
	10,000,891	**2,081,672**

55. Irregular expenditure

Opening balance	32,987,430	27,865,603
Add: Irregular Expenditure - current year	2,100,350	5,121,827
	35,087,780	**32,987,430**

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	773,870	535,720
Amount paid - current year	-	(535,720)
	773,870	**-**

Material losses through criminal conduct

Distribution losses - Water	-	728,260
Distribution losses - Electricity	-	2,622,191
	-	**3,350,451**

Electricity losses for the current year amounted to 17% of total electricity purchased. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10%. Non-technical losses, being theft, faults, billing errors account for 7%. The Municipality will work towards improving control over non-technical losses. A register of distribution losses is available at the municipal offices.

Audit fees

Opening balance	1,480,901	-
Current year subscription / fee	-	1,480,901
	1,480,901	**1,480,901**

PAYE and UIF

Opening balance	9,529,137	-
Current year subscription / fee	-	9,529,137
	9,529,137	**9,529,137**

Pension and Medical Aid Deductions

Current year subscription / fee	3,951,281	-

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	-	2,162,824
VAT payable	5,608,252	-
	5,608,252	**2,162,824**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. J.J.J. Olyn	695	-	695
Cllr. D.W. Fienies	377	1,831	2,208
Cllr. E. Mompe	811	5,735	6,546
Cllr. W.N. Afrikaner	-	6,976	6,976
	1,883	**14,542**	**16,425**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Cllr. D.W. Fienies	1,587	120
Cllr. E. Mompe	5,337	120
Cllr. W.N. Afrikaner	6,976	120
	13,900	**360**

57. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix G1, G2 and G3 for the comparison of actual operating expenditure versus budgeted expenditure.

58. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix G4 for the comparison of actual capital expenditure versus budgeted expenditure.

59. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the unaudited annual financial statements.

Deviations made for the year are as follows:

Number	Date	Vendor	Amount	Reasons for the Deviation from the Supply Chain Management Regulations
2016/01	15/07/2015	Afrihost	4,788	Licence update of the mail service.Only one quote was sourced.
2016/02	20/07/2015	Clarotech Consulting	79,424	This is currently the only authorised distributer in South Africa and they have installed the telefone system and therefor only this supplier can supply the codes for the telefone.Only one quote was sourced
2016/03	16/09/2015	Integra Serve	198,000	The bid for water chemicals is still in prosses for the new financial year.Our current suppliers credit limit are limited for just a small amount can be purchased.Only one quote was sourced.
2016/04	27/07/2015	Pathcare	28,790	Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced.
2016/05	28/07/2015	Pathcare	30,542	Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced.
2016/06	30/07/2015	Aas Operations	88,150	A tender prosses still needs to be followed before a service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals.Only one quote was sourced..
2016/07	31/07/2015	CQS Technology Holdings	89,050	Licence renewal.
2016/08	11/08/2015	Improchem	120,259	Only supplier of the required chemicals.Test still needs to be done for a tender to be advertised and a service provider to be appointed.Only one quote was sourced.
2016/09	24/08/2015	Agrico	18,550	The pumps don’t work completely and needs to be fixed in order to prevent a water shortage.Agrico is the only locsl supplier that supplies impellers.Only one quote was sourced.
2016/10	28/08/2015	Pathcare	27,348	Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced.
2016/11	09/10/2015	Agrico	6,156	Only two quotations were obtained due to emergency

59. Deviation from supply chain management regulations (continued)

2016/12	14/09/2015	Nest Birds Trading and Projects	43,541	Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation
2016/13	01/10/2015	Nu-Balance Live Band	6,000	Live Entertainment. Only one quote could be source.Premission given by the Municipal Manager
2016/14	08/10/2015	Gordonia Verkoelings Dienste	26,553	Emergency: Aircon replace in IT Server room.
2016/15	11/02/2015	Lutz & Van Zyl Land Surveyors	11,400	Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation
2016/16	11/02/2015	Pathcare	20,274	Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced.
2016/17	11/03/2015	Tyger Wheels&Tyers	22,500	Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation.The system needs to be implemented ASAP on officials.
2016/18	11/06/2015	Poort Beton	5,814	Hire of forklift(Special one) to move pre-Cast toilets from Gamaker settlement. This is the only supplier that have this kind of forklift.
2016/19	12/03/2015	Agrico	32,683	These valves are needed to avoide a water crisus in the KEIMOES area.Only one quote was sourced due to a lack of local suppliers that have these items.
2016/20	12/03/2015	Afrimat	45,449	A RFQ was advertised for the material to build the testing station but only supplier responded for some of the material required.Therefor only one quote was sourced for the other material needed for the station.
2016/21	12/03/2015	Poort Beton	202,931	A RFQ was advertised for the material to build the testing station but only supplier responded for some of the material required.Therefor only one quote was sourced for the other material needed for the station.
2016/22	12/07/2015	Kalahari Stretch Tents	43,650	This is the only local supplier that have the size of tents and amount of chairs needed for such an big event only one quote was sourced.
2016/23	12/07/2015	DJ Scott	85,500	This is the only artist available on such short notice to perform at the event.Only one quote was sourced.
2016/24	12/07/2015	Tiger Wheel & Tyre	22,500	This is the only supplier that have GPS Logbooks available and in stock.Due to lack of time only one quote was sourced.
2016/25	12/07/2015	Maestro Music & Sound	95,000	This is the only supplier that can assist on all items and services needed for the sound of the event.All local suppliers are already booked.Only one quote was sourced.

59. Deviation from supply chain management regulations (continued)

2016/26	12/07/2015	NB Mechenical Sales	293,241	This material was needed for the electrification of houses in the kaigarib area which already payed for the wiring of the houses and funds were not available for the completion of the jobs.So a purchase of a big amount was made to complete these houses before the festive season.There was no time for a tender proses.
2016/27	01/06/2016	Trans Oranje Drukkers	7,377	This is a spesific tipe of file needed for the filling of the archives documents therefor only one quote was sourced.
2016/28	02/08/2016	AAS Operations	57,492	A tender prosses still needs to be followed before a service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals.Only one quote was sourced.
2016/29	02/08/2016	Gariep Besproeiing	7,898	Material was needed urgently for an emergency matter and due to time no other quotes could have been sourced.
2016/30	02/09/2016	Improchem	6,601	Sudklor is the only chemical that works at the Cillie plant and only Improchem supplies sudklor.Only 1 quote was sourced
2016/31	25/02/2016	Agrico	8,745	Emergency: a Pump burned at the station and needed to be replaced as soon as possible to avoide a water crisus in this area.
2016/32	25/02/2016	Agrico	3,769	Emergency: a Pump burned at the station and a other allternative needed to be followed for water until the pump was replaced.
2016/33	30/03/2016	AAS Operations	40,350	A tender prosses still needs to be followed before a new service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals for this chemicals work at the plant.Only one quote was sourced.
2016/34	05/06/2016	Poort Beton	10,511	This kerbs fig 3 300mm was used from the start of the project and the project must be completed with these kerbs.Poort Beton is the only supplier that sells this kerbs therefor only 1 quote was sourced.
2016/35	05/06/2016	Materbricks	186,778	A RFQ was advertised for the material needed to complete the project.After the purchase the project was incomplete and more interlocking paving was needed for completion of the project.The project is already over time and therefor there is no time to advertise another RFQ.Only 2 quotes was sourced for local suppliers.
2016/36	06/06/2016	AAS Operations	62,032	A tender prosses still needs to be followed before a new service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals for this chemicals work at the plant.Only one quote was sourced.

59. Deviation from supply chain management regulations (continued)

2016/37	30/06/2016	NB Mechenical Sales	60,705	A transformer have burned and needed to get replaced to avoide a electricity shortage in the area.There was no time to follow a RFQ process replacement needed to take place immediately.

Kai !Garib Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2016

	2016/2015														2015/2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**90,663,300**	**85,923,858**	**176,587,158**	**-**		**176,587,158**	**79,526,217**		**(97,060,941)**	**45 %**	**88 %**				**78,211,295**
Executive and council	3,280,000	3,280,000	6,560,000	-		6,560,000	10		(6,559,990)	- %	- %				1,784
Budget and treasury office	87,371,300	82,643,858	170,015,158	-		170,015,158	79,526,207		(90,488,951)	47 %	91 %				78,132,255
Corporate services	12,000	-	12,000	-		12,000	-		(12,000)	- %	- %				77,256
Community and public safety	**254,455**	**379,950**	**634,405**	**-**		**634,405**	**1,642,781**		**1,008,376**	**259 %**	**646 %**				**2,650,946**
Community and social services	254,255	377,750	632,005	-		632,005	1,641,682		1,009,677	260 %	646 %				1,205,438
Sport and recreation	-	**2,200**	2,200	-		2,200	1,099		(1,101)	50 %	DIV/0 %				1,442,725
Public safety	200	-	200	-		200	-		(200)	- %	- %				2,783
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**30,074,690**	**22,232,500**	**52,307,190**	**-**		**52,307,190**	**21,034,952**		**(31,272,238)**	**40 %**	**70 %**				**23,656,716**
Planning and development	30,074,690	22,232,500	52,307,190	-		52,307,190	21,034,952		(31,272,238)	40 %	70 %				23,656,716
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**82,558,830**	**83,565,000**	**166,123,830**	**-**		**166,123,830**	**98,829,006**		**(67,294,824)**	**59 %**	**120 %**				**83,274,455**
Electricity	57,846,000	66,936,000	124,782,000	-		124,782,000	71,124,963		(53,657,037)	57 %	123 %				57,023,466
Water	11,601,130	7,925,000	19,526,130	-		19,526,130	14,092,713		(5,433,417)	72 %	121 %				13,419,556
Waste water management	7,975,000	5,600,000	13,575,000	-		13,575,000	7,993,740		(5,581,260)	59 %	100 %				7,543,581
Waste management	5,136,700	3,104,000	8,240,700	-		8,240,700	5,617,590		(2,623,110)	68 %	109 %				5,287,852
Other	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	**203,551,275**	**192,101,308**	**395,652,583**	**-**		**395,652,583**	**201,032,956**		**(194,619,627)**	**51 %**	**99 %**				**187,793,412**

Kai !Garib Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2016

	2016/2015													2015/2014	
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**42,895,509**	**59,599,600**	**102,495,109**	**-**	**-**	**102,495,109**	**99,529,779**	**-**	**(2,965,330)**	**97 %**	**232 %**	**-**	**-**	**-**	**96,899,127**
Executive and council	12,132,200	16,493,400	28,625,600	-	-	28,625,600	16,559,190	-	(12,066,410)	58 %	136 %	-	-	-	13,822,236
Budget and treasury office	15,128,117	24,582,100	39,710,217	-	-	39,710,217	65,423,001	-	25,712,784	165 %	432 %	-	-	-	66,227,336
Corporate services	15,635,192	18,524,100	34,159,292	-	-	34,159,292	17,547,588	-	(16,611,704)	51 %	112 %	-	-	-	16,849,555
Community and public safety	**10,417,510**	**14,480,800**	**24,898,310**	**-**	**-**	**24,898,310**	**14,829,150**	**-**	**(10,069,160)**	**60 %**	**142 %**	**-**	**-**	**-**	**12,680,222**
Community and social services	7,662,900	11,895,600	19,558,500	-	-	19,558,500	12,341,643	-	(7,216,857)	63 %	161 %	-	-	-	9,557,551
Sport and recreation	1,733,540	1,651,900	3,385,440	-	-	3,385,440	1,728,971	-	(1,656,469)	51 %	100 %	-	-	-	2,064,225
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	444,335	349,600	793,935	-	-	793,935	348,548	-	(445,387)	44 %	78 %	-	-	-	346,293
Health	576,735	583,700	1,160,435	-	-	1,160,435	409,988	-	(750,447)	35 %	71 %	-	-	-	712,153
Economic and environmental services	**23,359,174**	**19,019,000**	**42,378,174**	**-**	**-**	**42,378,174**	**18,799,905**	**-**	**(23,578,269)**	**44 %**	**80 %**	**-**	**-**	**-**	**17,561,509**
Planning and development	15,147,536	10,129,500	25,277,036	-	-	25,277,036	9,543,416	-	(15,733,620)	38 %	63 %	-	-	-	9,231,572
Road transport	8,211,638	8,889,500	17,101,138	-	-	17,101,138	9,256,489	-	(7,844,649)	54 %	113 %	-	-	-	8,329,937
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**105,095,082**	**87,058,400**	**192,153,482**	**-**	**-**	**192,153,482**	**113,191,478**	**-**	**(78,962,004)**	**59 %**	**108 %**	**-**	**-**	**-**	**100,390,100**
Electricity	63,910,698	53,990,050	117,900,748	-	-	117,900,748	60,862,721	-	(57,038,027)	52 %	95 %	-	-	-	56,039,792
Water	21,876,321	17,657,750	39,534,071	-	-	39,534,071	19,339,364	-	(20,194,707)	49 %	88 %	-	-	-	18,450,733
Waste water management	7,958,438	6,197,200	14,155,638	-	-	14,155,638	20,986,395	-	6,830,757	148 %	264 %	-	-	-	15,538,550
Waste management	11,349,625	9,213,400	20,563,025	-	-	20,563,025	12,002,998	-	(8,560,027)	58 %	106 %	-	-	-	10,361,025
Other	**-**	**16,982,205**	**16,982,205**	**-**	**-**	**16,982,205**	**608,635**	**-**	**(16,373,570)**	**4 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	16,982,205	16,982,205	-	-	16,982,205	608,635	-	(16,373,570)	4 %	DIV/0 %	-	-	-	3,754,901
Total Expenditure - Standard	**181,767,275**	**197,140,005**	**378,907,280**	**-**	**-**	**378,907,280**	**246,958,947**	**-**	**(131,948,333)**	**65 %**	**136 %**	**-**	**-**	**-**	**231,285,859**
Surplus/(Deficit) for the year	**21,784,000**	**(5,038,697)**	**16,745,303**	**-**		**16,745,303**	**(45,925,991)**		**(62,671,294)**	**(274)%**	**(211)%**				**(43,492,447)**

Kai !Garib Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2016

	2015/16												2014/15		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive and council	3,280,000	-	3,280,000	-		3,280,000	10		(3,279,990)	- %	- %				1,784
Budget and treasury	87,371,300	(4,727,441)	82,643,859	-		82,643,859	79,010,299		(3,633,560)	96 %	90 %				78,132,255
Corporate services	12,000	(12,000)	-	-		-	-		-	DIV/0 %	- %				77,256
Community and social services	8,436,585	(7,760,635)	675,950	-		675,950	2,971,782		2,295,832	440 %	35 %				2,702,307
Technical and enginering services	80,912,390	2,803,110	83,715,500	-		83,715,500	98,945,688		15,230,188	118 %	122 %				84,910,061
Planning and development	21,784,000	2,000	21,786,000	-		21,786,000	19,548,788		(2,237,212)	90 %	90 %				21,795,321
Total Revenue by Vote	**201,796,275**	**(9,694,966)**	**192,101,309**	**-**		**192,101,309**	**200,476,567**		**8,375,258**	**104 %**	**99 %**				**187,618,984**
Expenditure by Vote to be appropriated															
Executive and council	11,385,556	5,107,844	16,493,400	-	-	16,493,400	16,546,226	-	52,826	100 %	145 %	-	-	-	13,822,236
Budget and treasury	25,690,828	(1,108,728)	24,582,100	-	-	24,582,100	43,317,283	-	18,735,183	176 %	169 %	-	-	-	80,204,814
Corporate services	13,640,748	4,883,352	18,524,100	-	-	18,524,100	17,547,588	-	(976,512)	95 %	129 %	-	-	-	16,849,555
Community and social services	10,736,960	(5,276,860)	5,460,100	-	-	5,460,100	4,543,865	-	(916,235)	83 %	42 %	-	-	-	5,575,926
Technical and enginering services	112,167,843	(5,309,643)	106,858,200	-	-	106,858,200	110,807,849	-	3,949,649	104 %	99 %	-	-	-	123,077,196
Planning and development	6,390,341	1,849,559	8,239,900	-	-	8,239,900	8,497,270	-	257,370	103 %	133 %	-	-	-	10,227,672
Total Expenditure by Vote	**180,012,276**	**145,524**	**180,157,800**	**-**	**-**	**180,157,800**	**201,260,081**	**-**	**21,102,281**	**112 %**	**112 %**	**-**	**-**	**-**	**249,757,399**
Surplus/(Deficit) for the year	**21,783,999**	**(9,840,490)**	**11,943,509**	**-**		**11,943,509**	**(783,514)**		**(12,727,023)**	**(7)%**	**(4)%**				**(62,138,415)**

Kai !Garib Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2015/16														2014/15
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	24,018,845	(3,533,486)	20,485,359	-		20,485,359	15,556,330		(4,929,029)	76 %	65 %				13,588,100
Property rates - penalties & collection charges	2,200,000	-	2,200,000	-		2,200,000	1,185		(2,198,815)	- %	- %				141,861
Service charges - electricity revenue	54,265,000	10,935,000	65,200,000	-		65,200,000	69,423,986		4,223,986	106 %	128 %				55,750,395
Service charges - water revenue	11,555,000	(3,740,000)	7,815,000	-		7,815,000	14,016,879		6,201,879	179 %	121 %				12,606,696
Service charges - sanitation revenue	7,975,000	(2,375,000)	5,600,000	-		5,600,000	7,993,740		2,393,740	143 %	100 %				7,543,581
Service charges - refuse revenue	5,092,500	(2,092,500)	3,000,000	-		3,000,000	5,557,059		2,557,059	185 %	109 %				5,229,565
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	183,005	78,945	261,950	-		261,950	214,426		(47,524)	82 %	117 %				204,077
Interest earned - external investments	120,000	80,000	200,000	-		200,000	200,756		756	100 %	167 %				130,290
Interest earned - outstanding debtors	7,800,000	3,200,000	11,000,000	-		11,000,000	11,063,670		63,670	101 %	142 %				9,444,527
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	94,250	2,750	97,000	-		97,000	117,424		20,424	121 %	125 %				302,527
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	8,083,140	(7,661,640)	421,500	-		421,500	1,107,658		686,158	263 %	14 %				957,431
Transfers recognised - operational	55,402,000	(4,690,000)	50,712,000	-		50,712,000	52,996,090		2,284,090	105 %	96 %				55,351,115
Other revenue	793,535	100,965	894,500	-		894,500	1,089,350		194,850	122 %	137 %				1,465,951
Gains on disposal of PPE	-	-	-	-		-	400,000		400,000	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**177,582,275**	**(9,694,966)**	**167,887,309**	**-**		**167,887,309**	**179,738,553**		**11,851,244**	**107 %**	**101 %**				**162,716,116**

Kai !Garib Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2015/16														2014/15
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	72,451,246	14,346,454	86,797,700	-	-	86,797,700	91,860,502	-	5,062,802	106 %	127 %	-	-	-	86,266,134
Remuneration of councillors	4,937,000	1,559,000	6,496,000	-	-	6,496,000	5,650,962	-	(845,038)	87 %	114 %	-	-	-	4,960,501
Debt impairment	16,500,000	(16,500,000)	-		-	-	15,612,017	-	15,612,017	DIV/0 %	95 %	-	-	-	13,637,914
Depreciation & asset impairment	-	-	-		-	-	21,298,190	-	21,298,190	DIV/0 %	DIV/0 %	-	-	-	30,158,565
Finance charges	1,820,000	(1,820,000)	-	-	-	-	11,934,139	-	11,934,139	DIV/0 %	656 %	-	-	-	2,693,701
Bulk purchases	50,350,000	(3,750,000)	46,600,000	-	-	46,600,000	50,869,470	-	4,269,470	109 %	101 %	-	-	-	45,018,457
Other materials	2,140,080	(46,580)	2,093,500	-	-	2,093,500	1,559,452	-	(534,048)	74 %	73 %	-	-	-	2,788,139
Contracted services	8,605,000	5,355,000	13,960,000	-	-	13,960,000	14,565,246	-	605,246	104 %	169 %	-	-	-	10,576,376
Transfers and grants	5,748,669	1,580,331	7,329,000	-	-	7,329,000	12,257,878	-	4,928,878	167 %	213 %	-	-	-	13,331,797
Other expenditure	17,460,281	(578,681)	16,881,600	-	-	16,881,600	21,367,484	-	4,485,884	127 %	122 %	-	-	-	21,854,277
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**180,012,276**	**145,524**	**180,157,800**	**-**	**-**	**180,157,800**	**246,975,340**	**-**	**66,817,540**	**137 %**	**137 %**	**-**	**-**	**-**	**231,285,861**
Surplus/(Deficit)	**(2,430,001)**	**(9,840,490)**	**(12,270,491)**	**-**		**(12,270,491)**	**(67,236,787)**		**(54,966,296)**	**548 %**	**2,767 %**				**(68,569,745)**
Transfers recognised - capital	24,214,000	-	24,214,000	-		24,214,000	21,294,403		(2,919,597)	88 %	88 %				25,077,296
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**21,783,999**	**(9,840,490)**	**11,943,509**	**-**		**11,943,509**	**(45,942,384)**		**(57,885,893)**	**(385)%**	**(211)%**				**(43,492,449)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**21,783,999**	**(9,840,490)**	**11,943,509**	**-**		**11,943,509**	**(45,942,384)**		**(57,885,893)**	**(385)%**	**(211)%**				**(43,492,449)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**21,783,999**	**(9,840,490)**	**11,943,509**	**-**		**11,943,509**	**(45,942,384)**		**(57,885,893)**	**(385)%**	**(211)%**				**(43,492,449)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**21,783,999**	**(9,840,490)**	**11,943,509**	**-**		**11,943,509**	**(45,942,384)**		**(57,885,893)**	**(385)%**	**(211)%**				**(43,492,449)**